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By:

**NSC BRIEFING**

**PHILIPPINES**

25X1

- I. Popular opposition to President Garcia growing as result of corruption and failure of his administration to stem economic drift.
  - A. Garcia booed by crowd of 40,000 at Manila sports event last week.
  - B. Efforts to stage triumphal welcome on his return 6 December from good-will tour of Japan were greatly overshadowed by later reception given returning Nacionalista party and Senate president Rodriguez.
    1. Rodriguez reportedly has offered to head an anti-Garcia wing of the Nacionalista party.
    2. Garcia accused of being "taken in" by lavish treatment Japanese gave him.
- II. Serious financial problems still plague the government.
  - A. Budget commissioner told congressional hearing that Philippines was on verge of bankruptcy; exchange reserves dipped to new low in November.
  - B. Heavy pressure continues for peso devaluation, but Garcia remains opposed.
    1. He recently told Philippine businessman he feared psychological effect of devaluation would lead to strikes and near anarchy.
- III. Garcia apparently still plans to place more trusted men in control of armed forces even though rumors of a military coup have abated.

- A. He is reported to have picked a loyal Nacionalista politician to replace Defense Secretary Vargas, possibly in a broader cabinet reshuffle in early 1959.
  - B. Retirement under pressure of Armed Forces Chief Arellano, scheduled for 31 December, is expected to pave way for further high-level shifts among army and constabulary officers.
  - C. Capt. Albert, armed forces intelligence chief, apparently also on way out.
  - D. Present military leaders have maintained that Nacionalista politicians seeking party control of the army for future elections are behind the "coup" rumors and prospective changes.
- IV. At same time, Philippines is displaying hardening attitude in its demands for greater American military aid, and for revision of the bases agreement; there are also renewed complaints over the trade agreement with the U.S.
- A. A press campaign, presumably officially inspired, on behalf of the Philippine stand in the present exploratory bases talks may be designed to force American concessions which could bolster Garcia's prestige.